

CITY OF BONDURANT

**INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2007

Table of Contents

OFFICIALS	2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-11
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 12 -13
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 14-15
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 16
Fiduciary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balance - Agency Fund	D 17
Notes to Financial Statements	18-29
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements	
and Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds	30
Notes to Required Supplementary Information -	
Budgetary Reporting	31
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes	
in Cash Balances - Nonmajor Governmental Funds	1 32
Schedule of Indebtedness	2 33
Bond and Note Maturities	3 34
Schedule of Receipts by Source and Disbursements by Function -	
All Governmental Funds	4 35
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND	
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL	
STATEMENTS PERFORMED IN ACCORDANCE WITH	
<i>GOVERNMENT AUDITING STANDARDS</i>	36-37
SCHEDULE OF FINDINGS AND	
QUESTIONED COSTS	38-42

CITY OF BONDURANT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marla B. McCoid	Mayor	Jan 2008
Mike R. Adams, Sr.	Council Member	Jan 2008
Bruce N. Cordes	Council Member	Jan 2008
Jeffrey A. Kromrie	Council Member	Jan 2008
Michele R. Bailey	Council Member	Jan 2010
Keith P. Ryan	Council Member	Jan 2010
Mark J. Arentsen	City Administrator	Indefinite
Matt S. Brick	Attorney	Indefinite
Michelle A. Wells	Deputy City Clerk	Indefinite
Lori Dunham	Finance Director	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bondurant, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bondurant's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bondurant at June 30, 2007, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007 on our consideration of the City of Bondurant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the aforementioned financial statements that collectively comprise the City of Bondurant's basic financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bondurant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 19.1%, or approximately \$446,000 from fiscal 2006 to fiscal 2007. Property tax increased approximately \$55,200 and bond/loan proceeds decreased by \$305,069.
- Disbursements of the City's governmental activities decreased 6.8%, or approximately \$156,000, from fiscal 2006 to fiscal 2007. Public safety and public works decreased approximately \$94,400 and \$132,300 respectively. Debt service and capital projects increased \$48,158 and \$17,989 respectively.
- The City's total cash basis net assets decreased 45.4% or approximately \$516,000 from fiscal 2006 to fiscal 2007. Of this amount, the assets of the governmental activities decreased \$175,072 and the assets of the business type activities decreased \$340,937.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about nonmajor governmental funds and debt obligations.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage and recycling funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from \$187,716 to \$12,596. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

Changes in Cash Basis Net Assets of Governmental Activities		
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 204,465	\$ 280,939
Operating grants, contributions and restricted interest	249,064	219,713
Capital grants, contributions and restricted interest	35,680	387,132
General receipts:		
Property tax	858,315	803,124
Tax increment financing	306,722	290,532
Host fee	27,546	-
Unrestricted investment earnings	21,778	8,423
Note/loan proceeds	44,931	350,000
Other general receipts	145,352	-
Transfers, net	73,312	-
Total receipts and transfers	<u>1,967,165</u>	<u>2,339,863</u>
Disbursements:		
Public safety	357,732	452,157
Public works	285,134	417,440
Culture and recreation	170,671	114,763
Community and economic development	60,245	81,525
General government	305,978	335,955
Debt service	430,040	381,882
Capital projects	532,437	514,448
Total disbursements	<u>2,142,237</u>	<u>2,298,170</u>
Increase (decrease) in cash balance	(175,072)	41,693
Cash basis net assets beginning of year	<u>187,668</u>	<u>146,023</u>
Cash basis net assets end of year	<u>\$ 12,596</u>	<u>\$ 187,716</u>

The City's total receipts for governmental activities decreased by 19.1 percent (\$446,010). The total cost of all programs and services decreased by approximately \$156,000 or 6.8 percent due to a decrease in public works and general government disbursements.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$93,160 next year or 11.8%.

The cost of all governmental activities this year was \$2.142 million compared to \$2.298 million last year. However, as shown in the statement of activities and net assets - cash basis on page 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1.653 million because some of the cost was paid by those directly benefitted from the programs (\$204,465) or by other governments and organizations that subsidized certain programs with grants and contributions (\$284,744). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2007 from approximately \$887,800 to approximately \$489,200, principally due to a decrease in capital grants, contributions, restricted interest and charges for services. The City paid for the remaining public benefit portion of governmental activities with approximately \$1,165,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities		
	2007	2006
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 471,525	\$ 464,266
Sewer	278,664	272,551
Garbage	126,863	119,171
Investment earnings	9,674	4,786
General receipts:		
Other general receipts	114,505	43,833
Total receipts	<u>1,001,231</u>	<u>904,607</u>
Disbursements:		
Water	604,450	326,197
Sewer	470,960	169,159
Garbage	131,555	111,558
Water deposits	18,900	25,945
Storm water	42,991	-
Debt service	-	140,911
Transfers	73,312	-
Total disbursements and transfers	<u>1,342,168</u>	<u>773,770</u>
Increase (decrease) in cash balance	(340,937)	130,837
Cash basis net assets beginning of year	<u>949,016</u>	<u>818,179</u>
Cash basis net assets end of year	<u>\$ 608,079</u>	<u>\$ 949,016</u>

Total business-type activities receipts for the fiscal year were \$1,001,231 compared to \$904,607 last year. This increase was due primarily to the growth in population. The cash balance decreased by approximately \$340,937 from the prior year. Total disbursements for the fiscal year increased by approximately 64 percent to a total of \$1,268,856. The Water Fund increases were due to an increased water capacity cost of \$90,000 paid to Des Moines Water Works and \$135,000 for the 1st Street Water Main. The Sewer Fund spent approximately \$130,000 for the Lagoon Sludge Removal, \$70,000 due to a fire at a pump building and \$50,000 to replace air lines.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bondurant completed the year, its governmental funds reported a combined fund balance of \$12,596, a decrease of \$175,120 from last year's total of \$187,716. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased from a deficit balance of \$159,049 in 2006 to a positive balance of \$23,809 in 2007. The increase is due in part to the transfer of \$150,000 from the Capital Projects Fund.
- The Road Use Tax Fund cash balance increased from a deficit balance of \$171,203 in 2006 to a deficit balance of \$144,842 in 2007. This fund should continue to have revenues exceed disbursements in future years due to completion of the 2006 Special Census. A significant portion of the disbursements includes the paving project to Polk County of \$82,618.
- The Urban Renewal Tax Increment Fund continued in a deficit position. The 2006 deficit ending balance of \$240,911 decreased by \$118,869, to a deficit balance of \$122,042.
- The FEMA Fund was established to account for the storm damage. Federal funds were received in 2007 but the State of Iowa portion was not received until 2008.
- The Library Capital Project Fund decreased \$372,142 to a deficit balance of \$25,057 at the end of 2007. On July 2, 2007, General Purpose Bonds were sold, \$1,350,000 being applied to library construction.
- The Mud Creek Sewer Project Fund was established to cover the design costs on a reimbursement basis. Additional invoices are being accumulated for submission in 2008.
- The NE 62nd Capital Project is nearing completion. The retainage will be paid in 2008. Any remaining funds will be transferred to another capital project.
- The Public Safety Project Fund had a deficit of \$23,231 at June 30, 2007. On July 2, 2007, General Purpose bonds were sold, \$950,000 being applied to the Public Safety Project.
- The Urban Service Area Fund was completed in 2007 with no balance left at June 30, 2007.
- The Debt Service Fund cash balance increased from \$151,073 in 2006 to \$209,403 at the end of 2007, due in part to the accumulation of funds received to pay future debt obligations.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$138,934 to \$328,049. Operating disbursements increased \$252,308 or approximately 72%, due in part to the completion of the First Street water main replacement.
- The Sewer Fund cash balance decreased by \$170,269 to \$254,306. Disbursements increased due in part to the installation of new air lines and sludge removal at the wastewater treatment facility.
- The Water Deposit Fund increased \$9,100 to \$50,739. This is due to the increase in housing starts.

- The Garbage Fund increased \$244 to \$16,063. This was due to the fact that the rate increase is higher than costs to the City.
- The Storm Water Fund decreased \$41,078. This is due to the current lack of a funding source for this fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 21, 2007 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$2,151,931 in bonds and other long-term debt compared to \$3,593,000 last year shown as follows:

Outstanding Debt at Year-End		
	June 30	
	2007	2006
General obligation bonds		
Corporate purpose and other	\$ 1,020,000	\$ 1,390,000
Revenue bonds	1,087,000	2,203,000
Sewer loan agreement	44,931	-
Total	<u>\$ 2,151,931</u>	<u>\$ 3,593,000</u>

The City's general obligation bonds are not rated. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,020,000 is well below the City's \$6.320 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Bondurant's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. Economic factors in the area remain steady, keeping our unemployment rate at one of the lowest in the state. Unemployment in Polk County now stands at 3.1% versus 3.3% a year ago. This compares with the State's unemployment rate of 3.9% and the national rate of 4.6%.

The housing market slowed in Bondurant during 2006. During calendar year 2006, 152 total building permits were issued, including 49 single-family homes, 2 for town homes and 5 for commercial buildings. These permits resulted in adding over \$11 million in new valuation to the City in calendar year 2006.

These indicators were taken into account when adopting the budget for fiscal year 2008. Based on the tax rate of \$14.33522 per \$1,000 of taxable valuation, the City expects to generate \$909,654 in property tax revenue for FY 2008. Total General Fund revenues at this time are anticipated to be approximately \$957,639. Revenues from all funds, including Enterprise Funds, are anticipated to be \$3.29 million. Expenses are anticipated to be proportionate to revenues in all funds.

It is anticipated that the financial condition of the City's deficit funds will end the fiscal year 2008 at or near positive position. These negative fund balances have been a significant concern to the City and a concerted effort is being made to reduce these deficits. Most FY 2008 TIF revenues are dedicated to reducing the fund balance deficit in the TIF fund. Regarding the Road Use Tax Fund deficit, the City has conducted a Special Census, which has resulted in increased Road Use Tax collections for FY 2008. The City has also made the final payment of \$82,618 to Polk County in FY 2007 for a paving project completed in 2003. Elimination of this expense will help reduce the Road Use Fund deficit beginning in FY 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark J. Arentsen, City Administrator, 200 Second Street, P.O. Box 37, Bondurant, Iowa 50035, 515-967-2418, e-mail martensen@cityofbondurant.com.

BASIC FINANCIAL STATEMENTS

CITY OF BONDURANT

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2007

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges	Operating Grants	Capital Grants and	Governmental	Business-type	
	Disbursements	for Service	Contributions and Restricted Interest	Contributions Restricted Interest	Activities	Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 357,732	\$ 155,695	\$ -	\$ 8,000	\$ (194,037)	\$ -	\$ (194,037)
Public works	285,134	18,733	201,341	-	(65,060)	-	(65,060)
Culture and recreation	170,671	30,037	-	16,000	(124,634)	-	(124,634)
Community and economic development	60,245	-	-	-	(60,245)	-	(60,245)
General government	305,978	-	47,723	-	(258,255)	-	(258,255)
Debt service	430,040	-	-	-	(430,040)	-	(430,040)
Capital projects	532,437	-	-	57,940	(474,497)	-	(474,497)
Total governmental activities	2,142,237	204,465	249,064	81,940	(1,606,768)	-	(1,606,768)
Business-type activities:							
Water	604,450	471,525	9,659	-	-	(123,266)	(123,266)
Sewer	470,960	278,664	15	-	-	(192,281)	(192,281)
Garbage	131,555	126,863	-	-	-	(4,692)	(4,692)
Water deposits	18,900	-	-	-	-	(18,900)	(18,900)
Storm water	42,991	-	-	-	-	(42,991)	(42,991)
Total business-type activities	1,268,856	877,052	9,674	-	-	(382,130)	(382,130)
Total	<u>\$3,411,093</u>	<u>\$1,081,517</u>	<u>\$ 258,738</u>	<u>\$ 35,680</u>	<u>(1,606,768)</u>	<u>(382,130)</u>	<u>(1,988,898)</u>
General receipts:							
Property tax levied for:							
General purposes					510,543	-	510,543
Employee benefits					30,662	-	30,662
Tax increment financing					306,722	-	306,722
Debt service					317,110	-	317,110
Host fee					27,546	-	27,546
Loan proceeds					44,931	-	44,931
Unrestricted investment earnings					21,778	-	21,778
Miscellaneous					99,092	114,505	213,597
Transfers					73,312	(73,312)	-
Total general receipts and transfers					1,431,696	41,193	1,472,889
Change in cash basis net assets					(175,072)	(340,937)	(516,009)
Cash basis net assets beginning of year					187,668	949,016	1,136,684
Cash basis net assets end of year					\$ 12,596	\$ 608,079	\$ 620,675

CITY OF BONDURANT

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - CONTINUED

As of and for the year ended June 30, 2007

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants and Contributions Restricted Interest	Governmental Activities	Business-type Activities	Total
Disbursements						
Cash Basis Net Assets						
Restricted:						
Debt service				\$ 209,403	\$ 142,776	\$ 352,179
Permanent fund				10,056	-	10,056
Special revenue funds				73,325	-	73,325
Capital project funds				119,837	-	119,837
Unrestricted				(400,025)	465,303	65,278
Total cash basis net assets				<u>\$ 12,596</u>	<u>\$ 608,079</u>	<u>\$ 620,675</u>

CITY OF BONDURANT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Revenue			Capital Projects				Debt Service	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Tax Increment Financing	Emergency Mgt FEMA	Library	Mud Creek Sewer	NE 62 nd	Public Safety Building			
Receipts:											
Property taxes	\$ 495,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317,110	\$ 45,886	\$ 858,315
Tax increment financing collections	-	-	306,722	-	-	-	-	-	-	-	306,722
Other city tax											
Host fee	27,546	-	-	-	-	-	-	-	-	-	27,546
Licenses and permits	79,170	-	-	-	-	-	-	-	-	-	79,170
Uses of money and property	21,532	-	-	-	11,680	-	-	-	-	-	33,458
Intergovernmental	40,745	201,341	-	6,978	-	-	-	-	-	246	249,064
Charges for service	125,295	-	-	-	-	-	-	-	-	-	125,295
Prairie Meadows grants	-	-	-	-	-	-	-	-	-	24,000	24,000
Miscellaneous	84,475	-	-	-	-	-	-	73	57,867	2,937	145,352
Total receipts	874,082	201,341	306,722	6,978	11,680	-	-	73	317,110	73,069	1,848,922
Disbursements:											
Operating:											
Public safety	352,396	-	-	-	-	-	-	-	-	5,336	357,732
Public works	73,729	173,637	16,593	8,947	-	-	-	-	-	12,228	285,134
Culture and recreation	156,072	-	-	-	-	-	-	-	-	14,599	170,671
Community and economic development	59,164	-	-	-	-	-	-	-	-	1,081	60,245
General government	262,209	-	-	-	-	-	-	-	-	43,769	305,978
Debt service	-	-	-	-	-	-	-	-	430,040	-	430,040
Capital projects	-	-	-	-	383,822	45,231	12,504	23,304	57,867	9,709	532,437
Total disbursements	903,570	173,637	16,593	8,947	383,822	45,231	12,504	23,304	57,867	430,040	2,142,237
Excess (deficiency) of receipts over (under) disbursements	(29,488)	27,704	290,129	(1,969)	(372,142)	(45,231)	(12,504)	(23,231)	-	(112,930)	(293,315)
Other financing sources (uses)											
Loan proceeds	-	-	-	-	-	44,931	-	-	-	-	44,931
Operating transfers in	221,710	-	-	1,342	-	-	-	-	171,260	111,147	505,459
Operating transfers (out)	(9,364)	(1,342)	(171,260)	(268)	-	-	(236,282)	-	-	(13,631)	(432,147)
Total other financing sources (uses)	212,346	(1,342)	(171,260)	1,074	-	44,931	(236,282)	-	171,260	97,516	118,243
Net change in cash balances	182,858	26,362	118,869	(895)	(372,142)	(300)	(248,786)	(23,231)	58,330	83,863	(175,072)
Cash balances beginning of year	(159,049)	(171,203)	(240,911)	-	347,085	-	368,623	-	151,073	(107,950)	187,668
Cash balances end of year	\$ 23,809	\$ (144,841)	\$ (122,042)	(895)	\$ (25,057)	\$ (300)	\$ 119,837	\$ (23,231)	\$ 209,403	\$ (24,087)	\$ 12,596

CITY OF BONDURANT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED
Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Revenue			Capital Projects				Debt Service	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Tax Increment Financing	Emergency Mgt FEMA	Library	Mud Creek Sewer	NE 62 nd	Public Safety Building	Urban Service Area		
Cash Basis Fund Balances											
Reserved:											
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,403	\$ 209,403
Unreserved:											
General fund	23,809	-	-	-	-	-	-	-	-	-	23,809
Special revenue funds	-	(144,841)	(122,042)	(895)	-	-	-	-	-	(24,434)	(292,212)
Capital projects funds	-	-	-	-	(25,057)	(300)	119,837	(23,231)	-	(9,709)	61,540
Permanent fund	-	-	-	-	-	-	-	-	-	10,056	10,056
Total cash basis fund balances	\$ 23,809	\$ (144,841)	\$ (122,042)	\$ (895)	\$ (25,057)	\$ (300)	\$ 119,837	\$ (23,231)	\$ -	\$ 209,403	\$ 12,596

See notes to financial statements.

CITY OF BONDURANT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds					Total
	Water	Sewer	Water Deposits	Garbage	Storm Water	
Operating receipts:						
Charges for service	\$ 471,525	\$ 278,664	\$ -	\$ 126,863	\$ -	\$ 877,052
Use of money and property	9,659	15	-	-	-	9,674
Miscellaneous	21,273	58,383	28,000	4,936	1,913	114,505
Total operating receipts	502,457	337,062	28,000	131,799	1,913	1,001,231
Operating disbursements:						
Business-type activities:	604,450	470,960	18,900	131,555	42,991	1,268,856
Total operating disbursements	604,450	470,960	18,900	131,555	42,991	1,268,856
Excess (deficiency) of operating receipts over (under) operating disbursements	(101,993)	(133,898)	9,100	244	(41,078)	(267,625)
Other financing sources (uses):						
Operating transfers in	100,836	41,515	-	-	-	142,351
Operating transfers (out)	(137,777)	(77,886)	-	-	-	(215,663)
Total other financing sources (uses)	(36,941)	(36,371)	-	-	-	(73,312)
Net change in cash balances	(138,934)	(170,269)	9,100	244	(41,078)	(340,937)
Cash balances beginning of year	466,983	424,575	41,639	15,819	-	949,016
Cash balances end of year	\$ 328,049	\$ 254,306	\$ 50,739	\$ 16,063	\$ (41,078)	\$ 608,079
Cash Basis Fund Balances						
Reserved for debt service	\$ 8,394	\$ 3,444	\$ -	\$ -	\$ -	\$ 11,838
Unreserved	319,655	250,862	50,739	16,063	(41,078)	596,241
Total cash basis fund balances	\$ 328,049	\$ 254,306	\$ 50,739	\$ 16,063	\$ (41,078)	\$ 608,079

See notes to financial statements.

CITY OF BONDURANTSTATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BALANCE - FIDUCIARY FUND*Agency Fund*

As of and for the year ended June 30, 2007

	<u>Agency Fund Sidewalk Escrow</u>
Cash balance beginning of year	\$ 155,615
Deductions:	
Escrow remittances	<u>102,145</u>
Cash balance end of year	<u><u>\$ 53,470</u></u>

See notes to financial statements.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bondurant is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bondurant has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following 28E agreements, boards and commissions: Metro Waste Authority, Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Polk County Public Works, Polk County Public Management Services, Polk County Animal Control Services, Homeland Security Services, Project Destiny and City of Altoona for Building Department Services, and Fire/EMS Services.

Joint Venture

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority, a joint venture established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The FEMA Fund is used to account for storm damage reimbursable by FEMA.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The Library Fund accounts for costs associated with the library construction.

The Mud Creek Sewer Fund accounts for the design costs that are paid for on a reimbursement basis.

The NE 62nd Street accounts for costs associated with a bridge project.

The Public Safety Building Fund accounts for costs in the construction of a new public safety building.

The Urban Service Area accounts for engineering services associated with a sewer lift station.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Deposits Fund accounts for water utility deposits by residents.

The Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

The City also reports an Agency Fund to account for sidewalk escrow deposits received from developers to be returned when the installation of sidewalks is complete.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, all functions were within the budget guidelines.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City investments at June 30, 2007 are as follows:

Type	Carrying Amount	Fair Value
Savings	\$ 323,437	\$ 323,437
Certificates of deposit	96,947	96,947
	<u>\$ 420,384</u>	<u>\$ 420,384</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$179,745 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(3) BONDS AND NOTE PAYABLE

Annual debt service requirements for general obligation bonds, note and revenue bonds are as follows:

Year Ending June30,	General Obligation Note		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 45,000	\$11,895	\$245,000	\$31,475	\$ 132,500	\$ 82,140	\$ 422,500	\$125,510
2009	50,000	10,140	215,000	20,890	141,000	76,880	406,000	107,910
2010	50,000	8,190	125,000	11,425	146,500	71,388	321,500	91,003
2011	50,000	6,240	130,000	5,885	154,000	65,580	334,000	77,705
2012	55,000	4,290	-	-	160,000	59,579	215,000	63,869
2013	55,000	2,145	-	-	162,000	53,346	217,000	55,491
2014	-	-	-	-	168,500	47,036	168,500	47,036
2015	-	-	-	-	179,000	40,371	179,000	40,371
2016	-	-	-	-	86,500	33,398	86,500	33,398
2017	-	-	-	-	89,000	29,872	89,000	29,872
2018	-	-	-	-	88,000	26,345	88,000	26,345
2019	-	-	-	-	92,500	22,855	92,500	22,855
2020	-	-	-	-	55,000	19,087	55,000	19,087
2021	-	-	-	-	57,500	16,819	57,500	16,819
2022	-	-	-	-	60,000	14,344	60,000	14,344
2023	-	-	-	-	62,500	11,869	62,500	11,869
2024	-	-	-	-	67,500	9,188	67,500	9,188
2025	-	-	-	-	70,000	6,125	70,000	6,125
2026	-	-	-	-	70,000	3,063	70,000	3,063
2027	-	-	-	-	35,000	766	35,000	766
	<u>\$305,000</u>	<u>\$42,900</u>	<u>\$715,000</u>	<u>\$69,675</u>	<u>\$2,077,000</u>	<u>\$690,051</u>	<u>\$3,097,000</u>	<u>\$802,626</u>

General Obligation Notes

On June 21, 2006, the City issued a \$350,000 general obligation property acquisition note. The funds were used to purchase property for a new library.

Revenue Bonds

The resolutions providing for the issuance of the water and sewer revenue bonds issued under a loan agreement between the City of Bondurant, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due. At June 30, 2007, the restricted balance was \$11,838.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(3) BONDS PAYABLE - CONTINUED

Revenue Bonds - Continued

- (c) All funds remaining in the water and sewer accounts after making the required transfers shall be placed in water and sewer revenue surplus accounts. As long as the sinking accounts have the full amount required to be deposited, the balance in the surplus accounts may be made available to the City as the Council may direct.

The City has made monthly transfers to the bond sinking accounts as required by the bond resolutions.

Water Service Agreement

The City entered into an agreement with the Board of Water Works Trustees of the City of Des Moines, Iowa (DMWW) effective August 1, 2005 to join in the Wholesale Water Service Master Agreement.

This agreement allowed the City to acquire "Purchased Capacity" of .50 million gallons per day (mgd) of water from DMWW. Payments to DMWW by the City will be used to pay the City's portion of Water Revenue Bonds issued for the construction of a treatment plant.

Sewer Loan Agreement

The City entered into a \$1,175,000 interim 0% interest loan and disbursement agreement pursuant to Section 76.13 of the Code of Iowa with the Iowa Finance Authority on November 20, 2006.

The project note is issued in anticipation of the receipt of loan proceeds from the issuance of Sewer Revenue Bonds in a principal amount not to exceed \$1,175,000 to provide funds to pay the costs of constructing improvements and extensions to the utility. The balance on the loan at June 30, 2007 was \$44,931.

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA.

The City of Bondurant retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$16,685,000 as of June 30, 2007. The City of Bondurant has a commitment for approximately \$0, or 0%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2007, the Series 2004B bonds had a balance of \$65,780,000 and the City of Bondurant's estimated future allocation based on the WRA flows is currently \$365,259 or 0.56%. As of June 30, 2007, the Series 2006 bonds had a balance of \$38,050,000 and the City of Bondurant's estimated future allocation based on the WRA Flows is currently \$231,411 or 0.61%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2007, the WRA had \$11,824,000 in outstanding State Revolving Loans, of which \$0 of future principal debt service is a commitment of the City of Bondurant.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2007, the City paid the WRA \$27,919 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(5) PENSION AND RETIREMENT BENEFITS - CONTINUED

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$20,490, \$19,209 and \$13,946, respectively, equal to the required contributions for each year.

(6) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,080
Sick leave	<u>3,097</u>
Total	<u>\$ 15,177</u>

This liability has been computed based on rates of pay as of June 30, 2007.

(7) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise:	
	Water Fund	\$ 29,131
	Sewer Fund	28,681
	Special Revenue:	
	Emergency Fund	13,631
	FEMA	268
	Capital Projects Fund	150,000
Special Revenue:		
Park and Recreation	General Fund	9,364
FEMA	Road Use	1,342
Debt Service Fund	Special Revenue:	
	Tax Increment Financing	171,260

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(7) INTERFUND TRANSFERS - CONTINUED

Transfer to	Transfer from	Amount
Employee Benefits Fund	Enterprise:	
	Water Fund	7,810
	Sewer Fund	7,690
Capital Projects Fund	General Fund:	
	Capital Projects	86,282
Enterprise Fund:	Enterprise:	
Water Sinking Fund	Water	100,836
Sewer Sinking Fund	Sewer	<u>41,515</u>
Total		<u>\$ 647,810</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$10,630 during the year ended June 30, 2007.

(9) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(9) RISK MANAGEMENT - CONTINUED

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$35,132.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(10) CONSTRUCTION CONTRACTS

At June 30, 2007, the City had entered into construction contracts of approximately \$538,765 for various projects. At June 30, 2007 these projects will require future payments of approximately \$118,069 upon completion.

(11) PENDING LITIGATION

The City is currently a potential defendant in a lawsuit. The probability and amount of loss, if any, is undeterminable.

(12) DEFICIT BALANCES

The City had deficit balances at June 30, 2007, as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Road Use Tax	\$ 144,841
Urban Renewal Tax Increment	122,042
Employee Benefits	87,703
Emergency Management - FEMA	895
Enterprise:	
Storm Water	41,078
Capital Projects:	
Library	25,057
Mud Creek Sewer	300
Public Safety Building	23,231
Main Street	8,821
Sidewalk	888

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of property tax for the General Fund and the Special Revenue, Employee Benefits Fund, state road use tax funds, tax increment financing and a new bond issue.

(13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit C. Cash balances at end of year are summarized as follows:

	Water	Sewer	Water Deposits	Garbage	Recycling	Total
General operation	\$319,655	\$250,862	\$ 50,739	\$ 16,063	\$(41,078)	\$596,241
Sinking fund	8,394	3,444	-	-	-	11,838
	<u>\$328,049</u>	<u>\$254,306</u>	<u>\$ 50,739</u>	<u>\$ 16,063</u>	<u>\$(41,078)</u>	<u>\$608,079</u>

CITY OF BONDURANT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

(14) SUBSEQUENT EVENTS

On July 2, 2007, the City of Bondurant issued non-rated \$2,990,000 General Obligation Corporate Purpose Bonds, Series 2007 with coupon rates of 3.75% to 4.30%. The borrowing will be applied to the projects described below:

Library Construction	\$1,350,000
Public Safety Building Construction	950,000
Fire Truck	280,000
Hwy 65 Water Main Construction	230,000
Bike Path Construction	50,000
Street/Public Works Paving	50,000
Mower Replacement	10,000
City Hall Telephone Upgrade	10,000
Debt Issuance Estimated Expenses	60,000
TOTAL	<u>\$2,990,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BONDURANT

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Types	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Actual	Actual		Original	Final	
Receipts:						
Property tax	\$ 858,315	\$ -	\$ 858,315	\$ 852,940	\$ 853,073	\$ 5,242
Tax increment financing collections	306,722	-	306,722	-	310,594	(3,872)
Other city tax	27,546	-	27,546	28,927	28,927	(1,381)
Licenses and permits	79,170	-	79,170	-	91,780	(12,610)
Uses of money and property	33,458	9,674	43,132	-	41,283	1,849
Intergovernmental	249,064	-	249,064	-	382,850	(133,786)
Charges for service	125,295	877,052	1,002,347	885,415	980,406	21,941
Miscellaneous	169,352	114,505	283,857	-	84,137	199,720
Total receipts	<u>1,848,922</u>	<u>1,001,231</u>	<u>2,850,153</u>	<u>1,767,282</u>	<u>2,773,050</u>	<u>77,103</u>
Disbursements:						
Public safety	357,732	-	357,732	387,391	373,167	15,435
Public works	285,134	-	285,134	129,308	374,840	89,706
Health and social services	-	-	-	2,610	2,610	2,610
Culture and recreation	170,671	-	170,671	151,660	174,092	3,421
Community and economic development	60,245	-	60,245	30,900	67,125	6,880
General government	305,978	-	305,978	315,540	307,655	1,677
Debt service	430,040	-	430,040	215,336	430,073	33
Capital projects	532,437	-	532,437	1,377,161	568,982	36,545
Business-type	-	1,268,856	1,268,856	-	1,354,491	85,635
Total disbursements	<u>2,142,237</u>	<u>1,268,856</u>	<u>3,411,093</u>	<u>2,609,906</u>	<u>3,653,035</u>	<u>241,942</u>
Excess (deficiency) of receipts over disbursements	(293,315)	(267,625)	(560,940)	(842,624)	(879,985)	319,045
Other financing sources						
Loan proceeds	44,931	-	44,931	-	557,712	(512,781)
Other	73,312	(73,312)	-	-	(506,126)	506,126
Total other financing sources	<u>118,243</u>	<u>(73,312)</u>	<u>44,931</u>	<u>-</u>	<u>51,586</u>	<u>(6,655)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(175,072)	(340,937)	(516,009)	(842,624)	(828,399)	312,390
Balances beginning of year	<u>187,668</u>	<u>949,016</u>	<u>1,136,684</u>	<u>805,404</u>	<u>1,291,220</u>	<u>(154,536)</u>
Balances end of year	<u>\$ 12,596</u>	<u>\$ 608,079</u>	<u>\$ 620,675</u>	<u>\$ (37,220)</u>	<u>\$ 462,821</u>	<u>\$ 157,854</u>

See accompanying independent auditor's report.

CITY OF BONDURANT

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, non-expendable trust, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$1,043,129. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, no disbursements exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BONDURANT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2007

	Special Revenue						Permanent	Capital Projects			
	Employee		Library	EMS	Park &	Drainage	Cemetery	Lake	Main	Sidewalk	Total
	Benefits	Emergency	Grant	Grant	Recreation	District	Perpetual	Petocka	Street		
							Care	Trail			
Receipts:											
Property tax	\$ 30,662	\$ 15,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,886
Uses of money and property:											
Interest on investments	-	-	-	-	-	-	246	-	-	-	246
Prairie Meadows grants	-	-	8,000	8,000	8,000	-	-	-	-	-	24,000
Sale of lots	-	-	-	-	-	-	1,760	-	-	-	1,760
Miscellaneous	-	-	127	50	-	-	1,000	-	-	-	1,177
Total receipts	30,662	15,224	8,127	8,050	8,000	-	3,006	-	-	-	73,069
Disbursements:											
Operating:											
Public safety	5,336	-	-	-	-	-	-	-	-	-	5,336
Public works	12,228	-	-	-	-	-	-	-	-	-	12,228
Culture and recreation	14,599	-	-	-	-	-	-	-	-	-	14,599
Community and economic development	1,081	-	-	-	-	-	-	-	-	-	1,081
General government	43,769	-	-	-	-	-	-	-	-	-	43,769
Capital projects	-	-	-	-	-	-	-	-	8,821	888	9,709
Total disbursements	77,013	-	-	-	-	-	-	-	8,821	888	86,722
Excess (deficiency) of receipts over (under) disbursements	(46,351)	15,224	8,127	8,050	8,000	-	3,006	-	(8,821)	(888)	(13,653)
Other financing sources (uses):											
Operating transfers in	15,501	-	-	-	9,364	-	-	86,282	-	-	111,147
Operating transfers (out)	-	(13,631)	-	-	-	-	-	-	-	-	(13,631)
Total other financing sources (uses)	15,501	(13,631)	-	-	9,364	-	-	86,282	-	-	97,516
Net change in cash balances	(30,850)	1,593	8,127	8,050	17,364	-	3,006	86,282	(8,821)	(888)	83,863
Cash balances beginning of year	(56,853)	13,631	12,414	785	72	1,233	7,050	(86,282)	-	-	(107,950)
Cash balances end of year	<u><u>\$(87,703)</u></u>	<u><u>\$ 15,224</u></u>	<u><u>\$ 20,541</u></u>	<u><u>\$ 8,835</u></u>	<u><u>\$ 17,436</u></u>	<u><u>\$ 1,233</u></u>	<u><u>\$ 10,056</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,821)</u></u>	<u><u>\$ (888)</u></u>	<u><u>\$ (24,087)</u></u>
Cash Basis Fund Balances											
Unreserved:											
Special revenue funds	\$(87,703)	\$ 15,224	\$ 20,541	\$ 8,835	\$ 17,436	\$ 1,233	\$ -	\$ -	\$ -	\$ -	\$ (24,434)
Capital project funds	-	-	-	-	-	-	-	-	(8,821)	(888)	(9,709)
Permanent fund	-	-	-	-	-	-	10,056	-	-	-	10,056
Total cash basis fund balances	<u><u>\$(87,703)</u></u>	<u><u>\$ 15,224</u></u>	<u><u>\$ 20,541</u></u>	<u><u>\$ 8,835</u></u>	<u><u>\$ 17,436</u></u>	<u><u>\$ 1,233</u></u>	<u><u>\$ 10,056</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,821)</u></u>	<u><u>\$ (888)</u></u>	<u><u>\$ (24,087)</u></u>

See accompanying independent auditor’s report.

CITY OF BONDURANT

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes:									
Corporate purpose	May 1, 1997	4.50 - 5.45%	\$ 780,000	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ 4,633	\$ -
Property acquisition (library)	Jun. 21, 2006	3.90	350,000	350,000	-	45,000	305,000	12,550	-
Total				\$ 435,000	\$ -	\$ 130,000	\$ 305,000	\$ 17,183	\$ -
General obligation bonds:									
Corporate purpose	Jul. 1, 1998	4.40%	\$ 355,000	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 4,375	\$ -
Corporate purpose	Jun. 1, 1999	4.40-4.70	1,215,000	510,000	-	125,000	385,000	22,735	-
Corporate purpose	Mar. 1, 2001	4.10-4.40	565,000	345,000	-	65,000	280,000	14,548	-
Total				\$ 955,000	\$ -	\$ 240,000	\$ 715,000	\$ 41,658	\$ -
Revenue bonds:									
Drinking water	Dec. 22, 2000	3.84%	\$ 972,000	\$ 767,000	\$ -	\$ 71,000	\$ 696,000	\$ 29,453	\$ -
Sewer Series A 1998	Jan. 6, 1999	3.92	248,934	177,000	-	11,000	166,000	6,938	-
Sewer Series B 1998	Jan. 6, 1999	3.92	326,066	239,000	-	14,000	225,000	9,367	-
Water Series 2006	Aug. 1, 2005	4.00 - 4.375	1,020,000	1,020,000	-	30,000	990,000	60,187	-
Total				\$2,203,000	\$ -	\$ 126,000	\$2,077,000	\$105,945	\$ -
Sewer loan agreement	Nov. 20, 2006	0.00%	\$1,175,000	\$ -	\$ 44,931	\$ -	\$ 44,931	\$ -	\$ -

See accompanying independent auditor’s report.

CITY OF BONDURANT

BOND AND NOTE MATURITIES

June 30, 2007

Year Ending June 30,	General Obligation Notes		General Obligation Bonds						
	Property Acquisition (Library)		Corporate Purpose		Corporate Purpose		Corporate Purpose		Total
	Issued Jun. 21, 2006		Issued July 1, 1998		Issued June 8, 1999		Issued March 22, 2001		
	Interest	Amount	Interest	Amount	Interest	Amount	Interest	Amount	
2008	3.90%	\$ 45,000	4.40%	\$ 50,000	4.40%	\$ 130,000	4.10%	\$ 65,000	\$ 245,000
2009	3.90	50,000	-	-	4.50	145,000	4.20	70,000	215,000
2010	3.90	50,000	-	-	4.60	55,000	4.30	70,000	125,000
2011	3.90	50,000	-	-	4.70	55,000	4.40	75,000	130,000
2012	3.90	55,000	-	-	-	-	-	-	-
2013	3.90	55,000	-	-	-	-	-	-	-
Total		\$ 305,000		\$ 50,000		\$ 385,000		\$ 280,000	\$ 715,000

Year Ending June 30,	Revenue Bonds								Total
	Drinking Water		Sewer Series A 1998		Sewer Series B 1998		Water Series 2006		
	Issued Dec. 22, 2000		Issued Jan. 6, 1999		Issued Jan. 6, 1999		Issued Mar. 1, 2006		
	Interest	Amount	Interest	Amount	Interest	Amount	Interest	Amount	
2008	3.84%	\$ 74,000	3.92%	\$ 11,000	3.92%	\$ 15,000	4.00%	\$ 32,500	\$ 132,500
2009	3.84	78,000	3.92	12,000	3.92	16,000	4.00	35,000	141,000
2010	3.84	81,000	3.92	12,000	3.92	16,000	4.00	37,500	146,500
2011	3.84	85,000	3.92	12,000	3.92	16,000	4.00	40,000	154,000
2012	3.84	89,000	3.92	13,000	3.92	17,000	4.00	40,000	160,000
2013	3.84	91,000	3.92	13,000	3.92	18,000	4.00	40,000	162,000
2014	3.84	93,000	3.92	14,000	3.92	18,000	4.00	42,500	162,500
2015	3.84	99,000	3.92	15,000	3.92	19,000	4.00	45,000	179,000
2016	3.84	4,000	3.92	15,000	3.92	20,000	4.00	47,500	85,500
2017	3.84	2,000	3.92	16,000	3.92	20,000	4.00	50,000	89,000
2018		-	3.92	16,000	3.92	21,000	4.00	50,000	88,000
2019		-	3.92	17,000	3.92	22,000	4.00	52,500	92,500
2020		-		-		23,000	4.0625	55,000	55,000
2021		-		-		-	4.125	57,500	57,500
2022		-		-		-	4.125	60,000	60,000
2023		-		-		-	4.125	62,500	62,500
2024		-		-		-	4.250	67,500	67,500
2025		-		-		-	4.375	70,000	70,000
2026		-		-		-	4.375	70,000	70,000
2027		-		-		-	4.375	35,000	35,000
Total		<u>\$ 696,000</u>		<u>\$ 166,000</u>		<u>\$ 235,000</u>		<u>\$ 990,000</u>	<u>\$ 2,077,000</u>

[illegible]

See accompanying independent auditor's report.

CITY OF BONDURANT

SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

	Years ended June 30,			
	2007	2006	2005	2004
Receipts:				
Property and other city tax	\$ 885,861	\$ 803,124	\$ 761,171	\$ 648,446
Tax increment financing	306,722	290,532	302,471	284,615
Licenses and permits	79,170	126,604	194,717	127,505
Use of money and property	21,778	8,509	8,668	7,947
Intergovernmental	249,064	594,283	224,504	336,186
Charges for service	125,295	137,027	31,015	56,905
Miscellaneous	181,032	29,784	69,243	371,010
Total	<u>\$1,848,922</u>	<u>\$1,989,863</u>	<u>\$1,591,789</u>	<u>\$1,832,614</u>
Disbursements:				
Operating:				
Public safety	\$ 357,732	\$ 452,157	\$ 306,838	\$ 300,707
Public works	285,134	417,440	808,986	371,775
Health and social services	-	-	2,573	2,284
Culture and recreation	170,671	114,763	101,946	100,964
Community and economic development	60,245	81,525	25,216	406,455
General government	305,978	335,955	234,923	210,746
Debt service	430,040	381,882	369,952	503,729
Capital projects	532,437	514,448	15,774	7,925
Total	<u>\$2,142,237</u>	<u>\$2,298,170</u>	<u>\$1,866,208</u>	<u>\$1,904,585</u>

See accompanying independent auditor's report.



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bondurant, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 5, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bondurant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bondurant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bondurant's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bondurant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Bondurant's financial statements that is more than inconsequential will not be prevented or detected by the City of Bondurant's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Bondurant's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07, II-B-07, II-C-07 and II-D-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bondurant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Bondurant's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Bondurant's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bondurant and other parties to whom the City of Bondurant may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bondurant during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 5, 2007

CITY OF BONDURANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepting accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF BONDURANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-07 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation -

- (1) Every user should have their own password. Passwords should be removed immediately on termination.
- (2) Passwords should be changed at least every 60 - 90 days.
- (3) A password history should be maintained.
- (4) Screen saver passwords could be established to protect unattended terminals.
- (5) There should be a complete system back-up at the end of each fiscal year.
- (6) Security software should be established to prevent use of unauthorized software.
- (7) A sprinkler system should be installed.
- (8) A written disaster recovery plan should be implemented.

CITY OF BONDURANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

REPORTABLE CONDITIONS:

II-B-07 Computer System Control - Continued

Response - We will consider these recommendations.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

II-C-07 Petty Cash - A petty cash fund is not maintained at the library. There is cash on hand but it is not recorded on the City records.

Recommendation - A petty cash fund should be established and recorded on the City records. Procedures should be established for recording receipts and disbursements at the library to accurately reflect the financial activity.

Response - Adequate procedures and a petty cash fund will be established.

Conclusion - Response acknowledged.

II-D-07 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We are aware of the situation and will continually review the risks associated with this condition because of cost or other considerations.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF BONDURANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting:

III-A-07

Amended Certified Budget - The original budget as certified budgeted \$0 business type expenditures. All expenditures until the May 21, 2007 budget amendment were expended without a budget. Disbursements during the year ended June 30, 2007, did not exceed the amended budget in the business type activities. Chapter 384.16 and 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The original budget should have included amounts for business type activity in accordance with Chapter 384.18 disbursements.

Response - Amounts will be budgeted in original budgets adopted.

Conclusion - Response accepted.

III-B-07 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Allen Ihde, former Mayor, partner in J.I.C.K. Investors Corporation, LLC Bruce Cordes, Council member, partner in J.I.C.K. Investors Corporation, LLC	Rental of library space	\$10,400

Although the transaction noted above appears to represent a conflict of interest in accordance with Chapter 362.5 of the Code of Iowa since the total amount exceeded \$1,500 during the fiscal year, the City Attorney has concluded this transaction does not represent a conflict of interest because the portion allocable to each partner within the partnership was less than \$1,500 for the fiscal year.

Maria McCoid, Mayor	Water main easement	\$ 230
	Travel expenses	120

CITY OF BONDURANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting :

- III-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-G-07 Revenue Bonds - All provisions of the revenue bond requirements have been met.
- III-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-07 Financial Condition - The City had deficit balances at June 30, 2007 as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Road Use Tax	\$ 144,841
Urban Renewal Tax Increment	122,042
Employee Benefits	87,703
Emergency Management - FEMA	895
Enterprise:	
Storm Water	41,078
Capital Projects:	
Library	25,057
Mud Creek Sewer	300
Public Safety Building	23,231
Main Street	8,821
Sidewalk	888

Recommendation - The City should continue in their efforts of returning these funds to a sound financial position.

Response - The City agrees that deficit fund balances in the funds listed are not desirable. The City conducted a special census which will result in the collection of additional Road Use Funds. The employee benefit budget was increased to eliminate its deficit. A \$2,990,000 General Obligation Bond issue will eliminate Capital Project deficits. Considerable progress has already been made in reducing deficits from the 2006 levels.

Conclusion - Response acknowledged.